

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON TAXATION**

**Call to Order:** By **CHAIRMAN BOB STORY**, on January 23, 2001 at 8:00 A.M., in Room 472 Capitol.

#### **ROLL CALL**

**Members Present:**

Rep. Bob Story, Chairman (R)  
Rep. Ron Erickson, Vice Chairman (D)  
Rep. Roger Somerville, Vice Chairman (R)  
Rep. Joan Andersen (R)  
Rep. Keith Bales (R)  
Rep. Gary Branae (D)  
Rep. Eileen Carney (D)  
Rep. Larry Cyr (D)  
Rep. Rick Dale (R)  
Rep. Ronald Devlin (R)  
Rep. John Esp (R)  
Rep. Gary Forrester (D)  
Rep. Daniel Fuchs (R)  
Rep. Verdell Jackson (R)  
Rep. Jesse Laslovich (D)  
Rep. Trudi Schmidt (D)  
Rep. Butch Waddill (R)  
Rep. Karl Waitschies (R)  
Rep. David Wanzenried (D)

**Members Excused:** Rep. Joe Balyeat (R)

**Members Absent:** None.

**Staff Present:** Jeff Martin, Legislative Branch  
Rhonda Van Meter, Committee Secretary

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing(s) & Date(s) Posted: HB 16, 1/18/2001; HB 236,  
1/18/2001

Executive Action: None.

HEARING ON HB 16

Sponsor: REPRESENTATIVE SOMERVILLE, HD 78, Kalispell

Proponents: Amy Sullivan, Montana Tourism Coalition  
Jeffrey Tiberi, Montana Heritage Commission  
Doug Johnson, Daly Mansion  
Arnie Olsen, Montana Historical Society  
Jim Utterback, Montana Historical Society  
Clint Blackwood, Lewis & Clark Bicentennial  
Commission  
Carolyn Lindin, Original Governor's Mansion  
Rich Clough, Montana Fish, Wildlife, & Parks  
Mary Oliver  
Mary Alice Chester  
Ellen Sievert  
Linda Adkins  
Jim Davison, Montana Economic Developers  
Association  
Patricia Spencer, MHS  
Stuart Doggett, Montana Innkeepers Association  
Krys Holmes  
Dale Waniata, Helena High School  
Robert Morgan, Montana Historical Society  
Derrick Strahn, Bozeman's Historical Preservation  
Mike Henfold, Frontier Heritage Alliance & Montana  
Parks Association  
Robin Urban, Museum Association of Montana

Opponents: None.

Opening Statement by Sponsor:

*{Tape : 1; Side : A; Approx. Time Counter : 2.1}*

**REP. SOMERVILLE** said this bill would borrow \$40 million from the coal tax trust fund. It would increase the lodging facilities use tax from 4 to 5%. It would fund the Heritage Tourism Program and establish an oversight committee. The coal tax trust fund will be paid back at a 6% interest rate. Because this is a tax increase, the governor has requested we take this to the people as a referendum for approval. People in America want to see how the country has evolved. 44% of the population tend to look at a heritage type vacation, which indicates they want to visit historic places. 43% of all Montanans visit our heritage, cultural, and interpretive centers. The fiscal note has a 10-year loan schedule and payback schedule. They will pay the loan

back in 20 years, but they will take the money out over 10 years rather than in one lump sum.

**Proponents' Testimony:**

***{Tape : 1; Side : A; Approx. Time Counter : 8.9}***

**Arnold Olsen, Director, Montana Historical Society,** read his written testimony **EXHIBIT(tah18a01)** and handed out an informational packet. **EXHIBIT(tah18a02)**

**Stuart Doggett, Montana Innkeepers Association,** said they participated in the Futures to the Past Committee, which is composed of 13 people, six of whom are legislators. They looked at ideas for heritage across the state, along with funding. Funding of these projects makes a lot of sense to their industry. They support the amendment idea to make this a referendum.

**Jeffrey Tiberi, Executive Director, Montana Heritage Commission,** presented a slide show **EXHIBIT(tah18a03)** and read from his written testimony **EXHIBIT(tah18a04)**.

**Mary Oliver** said she accepted an appointment and challenge to the Montana Heritage Commission to manage, preserve, and interpret heritage properties for the people of Montana. When Virginia City and Nevada City was acquired, they purchased a complex inventory resulting in huge capital needs. Heritage resources are important to Montana. This bill makes sense for the people of Montana historically, economically, and educationally.

**Doug Johnson, Director, Daly Mansion,** said the Daly Mansion was acquired by the state in 1985 and is leased to the Daly Mansion Preservation Trust under sponsorship of the Montana Historical Society. It is a major museum attraction for tourists in the Bitterroot Valley and an irreplaceable artifact of Montana's history. The mansion generates an economic impact of almost \$1 million annually. In the last 10 years, he has witnessed the steady growth of tourism in the state. Tourism has supported the operations of the mansion, but preservation efforts are not. They are planning on a community center at the mansion which would allow for art, cultural and educational programs, classes, lectures, and workshops. To accomplish these goals, restoration of the mansion is the highest priority. This and the development of the community center will increase visitation numbers, expand the use of the facility, expand the programs available in the community, and create new jobs. This bill would help with the restoration of the Daly Mansion.

**Mary Alice Chester** said she worked at the information center in Virginia City and spoke to many tourists. None of these tourists objected to the bed tax or local sales tax. There is an overwhelming need of funds to keep these type of historical areas going. People will not come back if there is not good facilities.

**Krys Holmes** said this bill is a smart idea because it uses what we have to protect and enhance what we treasure. This will help stabilize the economy, give opportunities for education, and maintain our historic resources.

**Dale Waniata, Teacher, Helena High School**, said he has taught a Montana history class for eight years. He is currently on sabbatical to serve as a Krista McCullough scholar, and his project is to develop a Montana history web site. This site is designed to help teachers across the state teach more Montana history and teach it better. The Office of Public Instruction and Montana Historical Society are assisting with the project. This bill is a wonderful idea and would make a substantial investment in Montana's heritage. Tourism is an important part of our modern economy, and if the citizens know the state is investing in their heritage, they would invest in it themselves.

**Robert Morgan, Montana Historical Society**, said he has been associated with the Historical Society for over 50 years. No other institution has such a vast library, archives, museum, and publications collection as Montanans have. They have a number of needs, which include exhibit space, office space, employees, storage areas, security, and more. He gave examples of the number of pieces in their collections. He expressed the frustration of visitors not coming to the museum because of lack of parking. He hopes a way can be found to fund the preservation of our history.

**Rich Clough, Chief of Operations, Montana Fish, Wildlife, & Parks**, read his written testimony. **EXHIBIT(tah18a05)**

**Clint Blackwood, State Commissioner, Lewis & Clark Bicentennial Commission**, handed out a Lewis & Clark map and explained the trail system. **EXHIBIT(tah18a06)** The visitation and interest in the Lewis & Clark trail has already started, and there will be increased visitation through 2006, the year of the bicentennial. They are working hard with communities and agencies to mitigate the negative impacts of this increased tourism, but they also want to take advantage of the positive impact this will have. The state bicentennial commission has worked to develop 14 regional bicentennial commissions on a county level. They will be working on planning efforts in their areas. At this point, it

is unsure how many tourists will come for the bicentennial. There have been interest and awareness studies done by research institutes. Approximately 75% of the people in the nation are familiar with the expedition, but less than 25% are aware of the bicentennial. It is projected that 4-8 million additional visitors will come to Montana because of the bicentennial. In the Master Plan, there are over 700 proposed projects. They have realized there is not enough money for all of them. Through a careful analysis, review, and rating process, Tier 1 and 2 projects were created. He reviewed the numbers on the back of Exhibit 6. The commission is looking for diversified funding, and they are not suggesting that the state come up with all of the funding. Project monies are allocated by the commission to fund as many of these projects identified as possible through their grants program. The grants require a local match and have to meet certain criteria. The money coming from this bill would be well spent and invested in Montana.

**Jim Davison, President, Montana Economic Developers Association,** said communities are committed to investing in historical efforts, but there is a need for additional effort on the state's part. The association believes it is necessary to invest in visitor infrastructure if we are going to stay competitive in tourism. Our hotel prices and taxes are minimal, and it will not hurt the in-state industry to increase this tax.

**Carolyn Linden, Original Governor's Mansion Restoration Society,** read her written testimony. **EXHIBIT**(tah18a07)

**Derrick Strahn, Bozeman's Historic Preservation Officer,** said Montana's tourism industry is the cornerstone of the state's economy. Montana's historic properties and artifacts are vital resources which attract visitors, provide jobs, tell our story, and define our cherished sense of place. Unfortunately the state's historic places and related facilities have long been neglected, and as a result, the cost of addressing improvements and maintenance is high. The options for financing these activities is limited. This bill would provide critical funding for the preservation of Montana's cultural treasures and tourism industry. It would bolster the state's economy at a very critical time.

**Amy Sullivan, Montana Tourism Coalition,** said the 1% increase in bed tax will leverage many more dollars to protect the state sites. Montanans should have the opportunity to vote on the future of their past.

**Jim Utterback** said it is a good idea to let other people pay for things we enjoy and need to preserve.

**Mike Henfold, Volunteer, Frontier Heritage Alliance and Montana Parks Association,** said economic development and heritage tourism is directly related. The history of Montana is a public resource and belongs to all of us. He explained a wagon train that will be held to follow the Bozeman Trail. The bill has the right priority for a funding mechanism. It is sad that a referendum is needed to pass this 1% increase in bed tax.

**Robin Urban, Vice President, Museums Association of Montana,** said tourism and economy go hand in hand. The museums are a reason for people to travel to Montana, and this association will benefit from this bill.

**Opponents' Testimony:** None.

**Informational Testimony:**

**Matthew Cohn, Administrator, Travel Montana Program, Department of Commerce,** said he is here to answer any questions the committee may have about the accommodations tax.

**Questions from Committee Members and Responses:**

*{Tape : 1; Side : B; Approx. Time Counter : 33.6}*

**REP. WAITSCHIES** asked how the \$1.5 million on the fiscal note was determined. **REP. SOMERVILLE** said there is a loss to the general fund if \$40 million is taken out of the Coal Trust, because the interest will be lost on this money. The fiscal note states there is a loss of \$61,000 in 2002, which will not happen because of the necessary change to add the referendum. If the referendum is passed, the impacts will start in 2003, and this would be approximately \$61,000 lost income from the Coal Trust. It costs about \$28,000-32,000 to run a referendum. **Steve Binder, Assistant Budget Director, Governor's Office,** said the new funding schedule is significantly different than originally anticipated in the governor's budget. More interest earnings to the general fund will be lost when something is front loaded, because these earnings are based on bonds being issued. If you bond a whole bunch now, it will cost the general fund more in lost interest than if it is delayed. **REP. WAITSCHIES** asked if the fiscal note is just for the first two years and the expense will increase thereafter. **Steve Binder** said the interest will be lost on \$40 million of Coal Tax loans that will be used with this bill. **REP. WAITSCHIES** asked if there was an estimated dollar figure. **Steve Binder** said on Page 3 there is a schedule of interest payments. Interest earned on the Coal Trust bonds is approximately 8-10%.

**REP. CARNEY** asked where the money would come from to pay back the loans. **REP. SOMERVILLE** said the money would come from the increased bed tax. The bed tax currently generates approximately \$10.8 million. If this is increased 1%, it will take in another \$2.4 to \$3.0 million, and this will be used to pay back the Coal Trust. **REP. CARNEY** asked if the plan is to take \$40 million out of the Coal Trust right now and then put the increase in the bed tax back into the Coal Trust every year. **REP. SOMERVILLE** said Page 2 of the fiscal note shows a schedule for withdrawal of the money, which will be taken out over a nine-year period. This will be paid back over a 20-year period, and there is a payback schedule for this. The balance will increase by what is borrowed but will be decreased by the amount received from the bed tax each year during that 20-year period.

**REP. DEVLIN** asked if there is a provision in the bill stating when the loan is paid back the tax can be taken off. **REP. SOMERVILLE** said there is not. The legislature 20 years from now will have to decide what to do with that additional money. 20% of the bed tax goes to the Heritage Tourism Foundation tax account, and this account would continue to get 20% of the total bed tax.

**REP. SCHMIDT** asked if the payment schedules on the fiscal note are based on the bed tax staying at 4%. **REP. SOMERVILLE** said the fiscal note was written with the bed tax increasing to 5%. **REP. SCHMIDT** asked if it is based on the bed tax staying at 5%. **REP. SOMERVILLE** said it is. **REP. SCHMIDT** asked if the percentages changed on Page 2 of the bill are included in fiscal note. **REP. SOMERVILLE** said they are. Those percentages had to be changed so these accounts would get the same amount of money they are getting currently. **REP. SCHMIDT** asked how the title of providing refundable individual Montana tax credit for accommodations tax is figured in and if Montanans will get a refund. **REP. SOMERVILLE** said there was some discussion when the bill was originally written that it would make it through the system if there was a refund system set up for Montanans. Since this has to be sent out for a referendum, the refund part would be eliminated from the bill.

**REP. FORRESTER** asked what happens if the assumptions of the increased money to pay back the loan are incorrect. **REP. SOMERVILLE** said if you look at the history of the Lodging Facility Use Tax, there has been a constant 4-5% increase in revenue from this every year. With the Lewis & Clark Bicentennial, he is convinced these tax revenues will go up, especially in the next 4-5 years. The revenue may level off, but it will never drop down. **REP. FORRESTER** said the Big Montana

Cattle Drive only produced about 1/3 of the projections, so he is concerned about projections over 20 years. He asked again what happens if the payments are not made. **REP. SOMERVILLE** said if the tax is increased to 5%, money will still be generated. In his opinion, there will never be a drop below the \$2.5 million.

**REP. ERICKSON** asked if the sponsor has looked at the other ideas out there regarding the tourist tax. **REP. SOMERVILLE** said he has not done research on what bills are out there dealing with the tourist tax. The people that are affected by this tax have indicated there are only two bills. **REP. ERICKSON** asked what the other bill is about. **REP. SOMERVILLE** said he does not know.

**REP. ERICKSON** asked if it is correct the details of this bill were put together during the Racicot administration. **REP. SOMERVILLE** said there was apparently an interim committee, Future of the Past, that worked on trying to figure out how to fund heritage tourism in Montana. They worked with the Racicot administration to bring this bill together. **REP. ERICKSON** asked if the referendum election would take place in November 2002.

**REP. SOMERVILLE** said it appears that is the best time to do the referendum to keep the cost down.

**REP. ESP** asked if government agency projects are on the Lewis & Clark Bicentennial list. **Clint Blackwood** said the projects listed in Tier 1 and 2 include the community, statewide commission, state, and federal projects. The present grant program the commission is operating says that non-profit entities can apply. If a state agency wants to put in an application, and if they met the criteria and scored competitively, they would be eligible for money. **REP. ESP** asked if the Fish, Wildlife, & Parks projects outlined on the fiscal note were also included in the Lewis & Clark Bicentennial projects. **Rich Clough** said the Missouri River Headwaters is in the bicentennial project list.

**REP. ESP** asked if a list could be provided to the committee.

**Rich Clough** said he could do this.

**REP. JACKSON** asked whether a mail ballot has been considered.

**REP. SOMERVILLE** said it has not. **REP. JACKSON** asked whether the bill would allow for the possibility of getting more money up front. **REP. SOMERVILLE** said he is unsure how the loan schedule was put together, but the fiscal analyst has said this is how the monies have been projected by the agencies who receive these borrowed funds.

**REP. WANZENRIED** asked what administration this bill developed in.

**REP. SOMERVILLE** said it was drafted originally under the Racicot administration. Since this time, the governor has said she will not sign a bill that has a tax increase unless it is sent out to



the people of Montana to approve. **REP. WANZENRIED** asked if the Martz administration supported the content of this bill providing there is a vote of the people. **REP. SOMERVILLE** said yes. **REP. WANZENRIED** asked when the vote would take place. **REP. SOMERVILLE** said the general election in November 2002, which means if passed the funding would start in 2003. **REP. WANZENRIED** asked when the tax would start being collected. **REP. SOMERVILLE** said the tax would start being collected January 1, 2003.

**REP. CARNEY** asked if this would take 3/4 vote of the legislature to put it on the ballot but a majority of the voters to pass it. **REP. SOMERVILLE** said it takes a vote of 100 members of both houses to get a referendum. Anything dealing with the inside of the Coal Trust box takes a 3/4 vote by the legislature.

**REP. WADDILL** asked how the 1% increase in accommodations tax was determined. **REP. SOMERVILLE** said it was the conclusion of the majority of the interim committee members that they would support a 1% increase. If the increase was more than this, the majority of the members would not support the bill. Regarding the previous question, this money is outside of the Coal Trust box; therefore, it is a simple majority to approve the loaning of the money. **REP. WADDILL** had a concern that this small increase might be inadequate and asked the sponsor to address this. **REP. SOMERVILLE** said it was the interim committee's opinion to only pass a 1% increase. If the industry does not support increasing the bed tax, then any bill brought in front of the legislature will die. So to keep the industry happy, they decided on the 1%.

**REP. ERICKSON** asked if the schedule for receiving money over time would work well for Virginia City. **Jeffrey Tiberi** said ideally they would like to have all of the money immediately to start on all of the needs that exist, but the payback schedule would not permit that under this type of proposal. They are willing to make it work.

**CHAIRMAN STORY** asked if assuming the revenue from the bed tax comes in at a greater rate than what the fiscal note anticipates, can the borrowing be accelerated or is this schedule locked in. **Jeffrey Tiberi** said he suspects if there is more money coming in then quicker actions could probably be done. **CHAIRMAN STORY** asked what other bills are out there dealing with the bed tax. **Matthew Cohn** said there is another bill taking \$1 million of the bed tax for nonrecurring tourism promotion. SB 263 will address the sunset for funding the Heritage Commission from the bed tax. Another bill would change the district to allow a non-corporated resort area to receive funds directly.

**Closing by Sponsor:**

**REP. SOMERVILLE** said this is an interesting concept to support heritage tourism in Montana. Other states have good heritage tourism sites, and Montana should have the premiere of all sites scattered throughout the state. This concept with the people's approval will be a great benefit to Montana and the economy.

**HEARING ON HB 236**

**Sponsor:** REPRESENTATIVE DENNIS HIMMELBERGER, HD 18, Billings

**Proponents:** None.

**Opponents:** Amy Sullivan, Montana Tourism Coalition  
Aidan Myhre, MCC  
Representative Dee Brown  
Charles Brooks, Billings Area Chamber of Commerce  
Carl Schweitzer, Bozeman & Kalispell Chamber of  
Commerce  
Stuart Doggett, Montana Innkeepers Association

**Opening Statement by Sponsor:**

*{Tape : 2; Side : A; Approx. Time Counter : 11.9}*

**REP. HIMMELBERGER** said this is a simple bill that would take \$1 million from the lodging tax revenues and divert it to a fund with the Chamber of Commerce to make it available for grants to local governments to promote nonrecurring tourism events. There is currently nothing available that does this. There are some limited grants available, but they are fairly minimal and can only be used for infrastructure for tourism events. This would allow flexibility to the local governments for promoting and marketing. An example is the National Bowling Congress coming to Billings, which took a lot of money just to attract this event, but it is estimated it will dump \$50 million into the economy. Billings pays in approximately \$1.4 million of lodging taxes annually, and the amount of money that comes back to Billings is about \$140,000.

**Proponents' Testimony:**

**REP. HIMMELBERGER** entered into testimony a letter from Jim Glantz. **EXHIBIT (tah18a08)**

**Opponents' Testimony:**

**REP. DEE BROWN** said tourism is the second largest economic industry in Montana. While it cannot be disputed that many of our currently and future funded programs are worthwhile, this is not the way to use the bed tax. Travel Montana's mission is to "strengthen Montana's economy through the promotion of the state as a vacation destination and film location." The bed tax was not created to be used for loans for nonrecurring tourism promotions. Travel Montana funds must be used to promote the state. Since only projects costing a minimum of \$25,000 are eligible, this would not be beneficial to smaller communities.

**Amy Sullivan, Montana Tourism Coalition**, said this bill gives \$1 million to an issue that has not been determined to be a widespread problem. A real need is heritage and cultural tourism sites. This bill also creates an additional bureaucracy that politicizes the money, so a group would have to ask their local government to apply for this grant money. Local government is not prepared or educated on how to do promotion for events. A structure already exists that goes to regions to do this. The bill is for projects totaling \$25,000 to \$150,000, which eliminates most of rural Montana. Taking \$1 million off the top affects everyone within the law, and means less money for every community.

**Charles Brooks, Billings Area Chamber of Commerce**, said the chamber has a long history of being in opposition to any legislation that would change the original intent of the Lodging Facility Use Tax. Even though Billings contributes over \$1 million to the fund and receive back \$130,000-150,000, they have done well utilizing this money. It was difficult for the local community to raise the necessary to sponsor the Bowling Convention, but they did. Taking \$1 million a year from the bed tax is not the way to go. Any decrease in the money received to promote tourism across the state would be unwise.

**Stuart Doggett, Montana Innkeepers Association**, said they are concerned about the impact this bill would have on the current tourism program. It is wondered what will be done with the money if a local government receives it but does not spend it. This money would take away from a program that is very successful. Local corporations quite often step forward to sponsor local events. These areas are already receiving monies back into the regions.

**Carl Schweitzer, Bozeman & Kalispell Chambers of Commerce**, said they are concerned another governmental entity will be involved in this process and do not think it will work.

**Informational Testimony:**

**Matthew Cohn, Administrator, Travel Montana, Department of Commerce**, said he would be happy to answer any questions.

**Questions from Committee Members and Responses:**

*{Tape : 2; Side : A; Approx. Time Counter : 29.7}*

**REP. ESP** asked if the committee could get the figures for Billings tourism that was in the testimony. **Charles Brooks** said he could get copies of that.

**REP. FUCHS** asked how much is currently being spent to promote Montana. **Matthew Cohn** said they spend about \$2.6 million on consumer advertising. About \$150,000 is spent on film advertising and \$100,000 on conventions and meeting planners. So of the total bed tax, approximately \$3 million is being spent.

**REP. FUCHS** asked if the sponsor believed the \$1.4 million Billings pays into the state and the \$140,000 received back is a balanced distribution. **REP. HIMMELBERGER** said he does not think so. Several people have talked about a decrease in the amount of money that would be available, but with the increase that is being seen going into the bed tax annually, there would not be a decrease. In 2002 and 2003, the estimates are that it is increasing about \$600,000. **REP. FUCHS** asked why the Billings Area Chamber of Commerce continuously opposes a more balanced distribution for Billings. **Charles Brooks** said they feel the original design and intent of the bed tax should be used. The industry stepped forward and said they would tax themselves if the legislature would give them the authority to do this and give them the opportunity to utilize the funds in promoting tourism in the state and local communities. The chamber has a long history of opposing any legislation that will alter the original intent of the bed tax. They have been very successful in utilizing the \$140,000. The chamber would love to see a substantial growth based on the fact Billings contributes approximately \$1.4 million to the fund, but they realize over the years the legislature has needed to fund other programs and projects. It was very difficult to raise the money for the Bowling Conference, but there is no assurance they would have been able to get the grant. **REP. FUCHS** asked if Charles Brooks thought this type of fund for special events is a bad idea or they just do not like the way the distribution of the money is set up. **Charles Brooks** said they are not saying it is a bad idea, but this would change the structure and original intent of the bed tax. He does not see any amendments that would make the bill acceptable to the Billings Chamber of Commerce.

**REP. ERICKSON** asked if the original intent of this bill is to form a partnership between groups and local government to get this grant and to not just form a bureaucracy. **REP. HIMMELBERGER** said that concept is correct. He is not much in favor of bureaucracy. This would make a lot of funds available for very diverse activities in the communities. One of the things precipitating this bill is the Lewis & Clark festivities coming up, and a lot of the smaller communities do not have the funding to put together an event they would like to.

**CHAIRMAN STORY** asked how setting aside a pool of money for local entities was any different from the original program to promote local tourism. **Amy Sullivan** said the original setup was for a statewide effort to promote the state in general. Then there is the local tourism regions to promote local tourism. The reason the money collected from the bed tax is not 100% returned to the community is that they are looking for economic development statewide. Under this bill, she feels the money would be returned for a promotion in urban areas and the rural communities are hurt. There is already a structure set up that is working well. She does not see the purpose for setting aside money for a problem they have never heard about. The only time they have seen this issue come up is with the Bowling Conference in Billings, and if you look, they got \$120,000 of the bed tax to help them. There was an ability and procedure already there for them to get the money through the Department of Commerce.

**CHAIRMAN STORY** asked if there is a statewide promotion followed by regional promotion, what is wrong with going one step farther and having one with local promotion. **Amy Sullivan** said she is concerned that within local government there are not people who would be able to do the promotion and marketing that needs to be done in the tourism industry. There would possibly be a need to hire someone, or at least send someone for training, to be able to handle these monies. The way this bill is set up, you have to go to the local government in order to apply for the money. She does not understand why a group working with a local government cannot apply together for these funds. **CHAIRMAN STORY** asked how much money the Billings Chamber of Commerce gets from the bed tax each year. **Charles Brooks** said approximately \$140,000. **CHAIRMAN STORY** asked what this money is used for. **Charles Brooks** said it is used for a long list of people to promote conventions.

**CHAIRMAN STORY** asked how much went into something like the Goldwing Convention or the ABC in Billings. **Charles Brooks** said he did not have those numbers, but he would be happy to supply them. **CHAIRMAN STORY** asked how much flexibility the Department of Commerce has in making grants to special events. **Matthew Cohn** said under statute they do have that ability. They were approached by the people putting on the Bowling Congress in Billings, and this was the first time they had encountered

anything of this magnitude. There was a lot of debate in front of the Tourism Advisory Council. If another event of the magnitude came up in a community, they would have to look at it again. **CHAIRMAN STORY** asked if there was a formal mechanism for dealing with this. **Matthew Cohn** said this is correct for this type of event. For smaller events, there is a formal mechanism for application to use bed tax funds through the Tourism Advisory Council.

**REP. DEVLIN** asked if the bed tax is raising \$8-10 million currently and \$3 million is being used in expenditures, where does the rest of the money go. **Matthew Cohn** said the bed tax money flows into different places, as shown on Page 2 of the bill. Travel Montana gets about 67% of the total collected, and from that they have numerous programs they deal with. The \$3 million referred to is the actual cost of consumer advertising, but they have a number of other programs.

**REP. ESP** asked if a breakdown of markets and types of advertising could be provided to the committee. **Matthew Cohn** said he would be happy to do so. This would include tremendous detail, but he will provide it to the committee.

**REP. WAITSCHIES** asked what the sponsor is envisioning with the bill since the qualifying amount of \$25,000-150,000 has only included one project in the past years. **REP. HIMMELBERGER** said the \$25,000 is not in stone. The intent is to help as many of the communities in Montana as possible. If they are better served with a lower amount, he would agree to this. Possibly the reason the tourism industry is not aware of some of these events is because the money is not there for them to get. The \$120,000 Billings is getting for the Bowling Congress came from the Department of Commerce, but he is unsure if that money actually came from Travel Montana. **Matthew Cohn** said the \$120,000 came from Travel Montana. **REP. HIMMELBERGER** said the grants that are available now are very minimal, and there are also specifications in those grants that state the money has to be used for infrastructure related to tourism events. There is no money available to do promoting and attracting events. **REP. WAITSCHIES** asked if there are any specific examples of what might take \$150,000 other than the Bowling Conference. **REP. HIMMELBERGER** said he does not have anything specific. He feels with the Lewis & Clark celebrations starting, if this money is available, we will see a lot of communities taking advantage of it. As the state continues to grow, there will be more possibilities of situations like the Bowling Congress. The time to make these funds available is now.

**REP. FORRESTER** asked how much it cost to bring the ABC event to Billings, including how much the chamber put in versus the amount private people put in. **Charles Brooks** said it was approximately \$1.5 million that had to be raised as up-front money, as well as some other funds that had to be secured, such as the hotel/motel people putting up some money. **REP. FORRESTER** asked if the hotel/motel money raised was over and above the contribution they made to the lodging tax. **Charles Brooks** said that is his understanding.

**REP. FUCHS** replied to reference of a statement he had made and clarified that he meant rather than having money returned to Yellowstone County there should be more balance.

**Closing by Sponsor:**

***{Tape : 2; Side : A; Approx. Time Counter : 54}***

**REP. HIMMELBERGER** said this bill will help Montanans economically. It is interesting that these communities are capable of collecting this bed tax money and getting it to the state but then the state does not seem to trust that these communities would be capable of disbursing these funds.

**ADJOURNMENT**

Adjournment: 11:10 A.M.

---

REP. BOB STORY, Chairman

---

RHONDA VAN METER, Secretary

BS/RV

**EXHIBIT** (tah18aad)